

Mr. Eric Rogers, Controller  
Lexington Medical Center Extended Care  
815 Old Cherokee Road  
Lexington, South Carolina 29072

Re: AC# 3-RKH-C7 – Lexmed, Inc. d/b/a Keisler-Holstedt Nursing Home

Dear Mr. Rogers:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period September 4, 1996 through March 31, 1997. That report was used to set the rate covering the contract periods beginning September 4, 1996.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

**LEXMED, INC.**  
**D/B/A KEISLER-HOLSTEDT NURSING HOME**  
**LEXINGTON, SOUTH CAROLINA**

**CONTRACT PERIODS**  
**BEGINNING SEPTEMBER 4, 1996**  
**AC# 3-RKH-C7**

**REPORT ON CONTRACT**  
**FOR**  
**PURCHASE OF NURSING CARE SERVICES**  
**WITH**  
**STATE OF SOUTH CAROLINA**  
**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

January 21, 1999

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Lexmed, Inc. d/b/a Keisler-Holstedt Nursing Home, for the contract periods beginning September 4, 1996 and for cost report period ended March 31, 1997, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Lexmed, Inc. d/b/a Keisler-Holstedt Nursing Home, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, and Summaries of Costs and Total Patient Days sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Lexmed, Inc. d/b/a Keisler-Holstedt Nursing Home dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
January 21, 1999

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**LEXMED, INC. D/B/A KEISLER-HOLSTEDT NURSING HOME**

Computation of Rate Change  
For the Contract Periods  
Beginning September 4, 1996  
AC# 3-RKH-C7

|                                | <u>09/04/96-</u><br><u>09/30/96</u> | <u>10/01/96-</u><br><u>03/31/97</u> | <u>04/01/97-</u><br><u>09/30/97</u> |
|--------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Interim reimbursement rate (1) | \$83.27                             | \$86.70                             | \$90.34                             |
| Adjusted reimbursement rate    | <u>82.10</u>                        | <u>85.33</u>                        | <u>88.90</u>                        |
| Decrease in reimbursement rate | \$ <u>1.17</u>                      | \$ <u>1.37</u>                      | \$ <u>1.44</u>                      |

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

**LEXMED, INC. D/B/A KEISLER-HOLSTEDT NURSING HOME**

Computation of Adjusted Reimbursement Rate

For the Contract Period September 4, 1996 Through September 30, 1996

AC# 3-RKH-C7

|  | <u>Incentive</u> | <u>Allowable<br/>Cost</u> | <u>Cost<br/>Standard</u> | <u>Computed<br/>Rate</u> |
|--|------------------|---------------------------|--------------------------|--------------------------|
| <u>Costs Subject to Standards:</u>             |                  |                           |                          |                          |
| General Services                               | \$ -             | \$42.55                   | \$41.13                  | \$41.13                  |
| Dietary  | <u>.60</u>       | <u>7.14</u>               | <u>8.53</u>              | <u>7.14</u>              |
| Subtotal                                       | \$ <u>.60</u>    | 49.69                     | 49.66                    | 48.27                    |
| Laundry/Housekeeping/Maint.                    | \$ -             | 7.51                      | 7.17                     | 7.17                     |
| Administration & Med. Rec.                     | <u>-</u>         | <u>8.22</u>               | <u>7.86</u>              | <u>7.86</u>              |
| Subtotal                                       | \$ <u>-</u>      | 65.42                     | \$ <u>64.69</u>          | 63.30                    |
| <u>Costs Not Subject to Standards:</u>         |                  |                           |                          |                          |
| Utilities                                      |                  | 2.38                      |                          | 2.38                     |
| Special Services                               |                  | .35                       |                          | .35                      |
| Medical Supplies & Oxy.                        |                  | 4.50                      |                          | 4.50                     |
| Taxes and Insurance                            |                  | .41                       |                          | .41                      |
| Legal Fees                                     |                  | <u>.16</u>                |                          | <u>.16</u>               |
| <b>TOTAL</b>                                   |                  | <u>\$73.22</u>            |                          | 71.10                    |
| Inflation Factor (N/A%)                        |                  |                           |                          | -                        |
| Cost of Capital                                |                  |                           |                          | 10.40                    |
| Cost of Capital Limitation                     |                  |                           |                          | -                        |
| Profit Incentive (Max. 3.5% of Allowable Cost) |                  |                           |                          | -                        |
| Cost Incentive - For Gen. Serv. & Dietary      |                  |                           |                          | .60                      |
| Effect of \$1.50 Cap on Cost/Profit Incentives |                  |                           |                          | <u>-</u>                 |
| ADJUSTED REIMBURSEMENT RATE                    |                  |                           |                          | <u>\$82.10</u>           |

**LEXMED, INC. D/B/A KEISLER-HOLSTEDT NURSING HOME**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 1996 Through March 31, 1997  
AC# 3-RKH-C7

|  | <u>Incentive</u> | <u>Allowable<br/>Cost</u> | <u>Cost<br/>Standard</u> | <u>Computed<br/>Rate</u> |
|--|------------------|---------------------------|--------------------------|--------------------------|
| <u>Costs Subject to Standards:</u>             |                  |                           |                          |                          |
| General Services                               | \$1.15           | \$42.55                   | \$43.70                  | \$42.55                  |
| Dietary  | <u>.60</u>       | <u>7.14</u>               | <u>8.59</u>              | <u>7.14</u>              |
| Subtotal                                       | <u>\$1.75</u>    | 49.69                     | 52.29                    | 49.69                    |
| Laundry/Housekeeping/Maint.                    | \$ -             | 7.51                      | 7.04                     | 7.04                     |
| Administration & Med. Rec.                     | <u>.20</u>       | <u>8.35</u>               | <u>8.55</u>              | <u>8.35</u>              |
| Subtotal                                       | <u>\$ .20</u>    | 65.55                     | <u>\$67.88</u>           | 65.08                    |
| <u>Costs Not Subject to Standards:</u>         |                  |                           |                          |                          |
| Utilities                                      |                  | 2.38                      |                          | 2.38                     |
| Special Services                               |                  | .35                       |                          | .35                      |
| Medical Supplies & Oxy.                        |                  | 4.50                      |                          | 4.50                     |
| Taxes and Insurance                            |                  | .41                       |                          | .41                      |
| Legal Fees                                     |                  | <u>.16</u>                |                          | <u>.16</u>               |
| <b>TOTAL</b>                                   |                  | <u>\$73.35</u>            |                          | 72.88                    |
| Inflation Factor (N/A%)                        |                  |                           |                          | -                        |
| Cost of Capital                                |                  |                           |                          | 10.45                    |
| Cost of Capital Limitation                     |                  |                           |                          | -                        |
| Profit Incentive (Max. 3.5% of Allowable Cost) |                  |                           |                          | .20                      |
| Cost Incentive - For Gen. Serv. & Dietary      |                  |                           |                          | 1.75                     |
| Effect of \$1.75 Cap on Cost/Profit Incentives |                  |                           |                          | (.20)                    |
| Minimum Wage Add On                            |                  |                           |                          | <u>.25</u>               |
| ADJUSTED REIMBURSEMENT RATE                    |                  |                           |                          | <u>\$85.33</u>           |



**LEXMED, INC. D/B/A KEISLER-HOLSTEDT NURSING HOME**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period April 1, 1997 Through September 30, 1997  
 AC# 3-RKH-C7

|  | <u>Incentive</u> | <u>Allowable<br/>Cost</u> | <u>Cost<br/>Standard</u> | <u>Computed<br/>Rate</u> |
|--|------------------|---------------------------|--------------------------|--------------------------|
| <u>Costs Subject to Standards:</u>             |                  |                           |                          |                          |
| General Services                               | \$1.15           | \$42.55                   | \$43.70                  | \$42.55                  |
| Dietary  | <u>.60</u>       | <u>7.14</u>               | <u>8.59</u>              | <u>7.14</u>              |
| Subtotal                                       | <u>\$1.75</u>    | 49.69                     | 52.29                    | 49.69                    |
| Laundry/Housekeeping/Maint.                    | \$ -             | 7.51                      | 7.04                     | 7.04                     |
| Administration & Med. Rec.                     | <u>.20</u>       | <u>8.35</u>               | <u>8.55</u>              | <u>8.35</u>              |
| Subtotal                                       | <u>\$ .20</u>    | 65.55                     | <u>\$67.88</u>           | 65.08                    |
| <u>Costs Not Subject to Standards:</u>         |                  |                           |                          |                          |
| Utilities                                      |                  | 2.38                      |                          | 2.38                     |
| Special Services                               |                  | .35                       |                          | .35                      |
| Medical Supplies & Oxy.                        |                  | 4.50                      |                          | 4.50                     |
| Taxes and Insurance                            |                  | .41                       |                          | .41                      |
| Legal Fees                                     |                  | <u>.16</u>                |                          | <u>.16</u>               |
| <b>TOTAL</b>                                   |                  | <u>\$73.35</u>            |                          | 72.88                    |
| Inflation Factor (4.90%)                       |                  |                           |                          | 3.57                     |
| Cost of Capital                                |                  |                           |                          | 10.45                    |
| Cost of Capital Limitation                     |                  |                           |                          | -                        |
| Profit Incentive (Max. 3.5% of Allowable Cost) |                  |                           |                          | .20                      |
| Cost Incentive - For Gen. Serv. & Dietary      |                  |                           |                          | 1.75                     |
| Effect of \$1.75 Cap on Cost/Profit Incentives |                  |                           |                          | (.20)                    |
| Minimum Wage Add On                            |                  |                           |                          | <u>.25</u>               |
| ADJUSTED REIMBURSEMENT RATE                    |                  |                           |                          | <u>\$88.90</u>           |

**LEXMED, INC. D/B/A KEISLER-HOLSTEDT NURSING HOME**

Summary of Costs and Total Patient Days

For the Cost Report Period Ended March 31, 1997

For the Contract Period September 4, 1996 Through September 30, 1996

AC# 3-RKH-C7

| <u>Expenses</u>                     | Totals (From<br>Schedule SC 13) as<br><u>Adjusted by DH&amp;HS</u> | Adjustments<br><u>Debit</u> | <u>Credit</u> | Adjusted<br><u>Totals</u> |
|-------------------------------------|--|-----------------------------|---------------|---------------------------|
| General Services                    | \$1,897,901  | \$ -                        | \$ -          | \$1,897,901               |
| Dietary                             | 318,318  | -                           | -             | 318,318                   |
| Laundry                             | 93,575   | -                           | -             | 93,575                    |
| Housekeeping                        | 124,720  | -                           | -             | 124,720                   |
| Maintenance                         | 116,525  | -                           | -             | 116,525                   |
| Administration &<br>Medical Records | 387,865  | -                           | 21,111 (1)    | 366,754                   |
| Utilities                           | 106,244  | -                           | -             | 106,244                   |
| Special Services                    | 15,407   | -                           | -             | 15,407                    |
| Medical Supplies<br>& Oxygen        | 253,002  | -                           | 52,444 (2)    | 200,558                   |
| Taxes & Insurance                   | 18,166   | -                           | -             | 18,166                    |
| Legal Fees                          | 6,920  | -                           | -             | 6,920                     |
| Cost of Capital                     | <u>463,850</u>   | <u>-</u>                    | <u>-</u>      | <u>463,850</u>            |
| Subtotal                            | 3,802,493  | -                           | 73,555        | 3,728,938                 |

**LEXMED, INC. D/B/A KEISLER-HOLSTEDT NURSING HOME**

Summary of Costs and Total Patient Days

For the Cost Report Period Ended March 31, 1997

For the Contract Period September 4, 1996 Through September 30, 1996

AC# 3-RKH-C7

| <u>Expenses</u>             | Totals (From<br>Schedule SC 13) as<br><u>Adjusted by DH&amp;HS</u> | Adjustments          |                   | Adjusted<br><u>Totals</u> |
|-----------------------------|--|----------------------|-------------------|---------------------------|
|                             |  | <u>Debit</u>         | <u>Credit</u>     |                           |
| Ancillary                   | 35,823   | -                    | -                 | 35,823                    |
| Non-Allowable               | (118,156)  | 21,111 (1)           | -                 | (44,601)                  |
|                             | <u>          </u>  | <u>52,444</u> (2)    | <u>          </u> | <u>          </u>         |
| Total Operating<br>Expenses | <u>\$3,720,160</u>   | <u>\$73,555</u>      | <u>\$73,555</u>   | <u>\$3,720,160</u>        |
| Total Beds                  | <u>220</u>   | Total Patient Days * |                   | <u>44,601</u>             |

\* Adjusted to 97% occupancy

**LEXMED, INC. D/B/A KEISLER-HOLSTEDT NURSING HOME**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended March 31, 1997  
 For the Contract Periods October 1, 1996 Through September 30, 1997  
 AC# 3-RKH-C7

| <u>Expenses</u>                     | Totals (From<br>Schedule SC 13) as<br><u>Adjusted by DH&amp;HS</u> | Adjustments  |               | <u>Adjusted<br/>Totals</u> |
|-------------------------------------|--|--------------|---------------|----------------------------|
|                                     |  | <u>Debit</u> | <u>Credit</u> |                            |
| General Services                    | \$1,897,901  | \$ -         | \$ -          | \$1,897,901                |
| Dietary                             | 318,318  | -            | -             | 318,318                    |
| Laundry                             | 93,575   | -            | -             | 93,575                     |
| Housekeeping                        | 124,720  | -            | -             | 124,720                    |
| Maintenance                         | 116,525  | -            | -             | 116,525                    |
| Administration &<br>Medical Records | 393,640  | -            | 21,111 (1)    | 372,529                    |
| Utilities                           | 106,244  | -            | -             | 106,244                    |
| Special Services                    | 15,407   | -            | -             | 15,407                     |
| Medical Supplies<br>& Oxygen        | 253,002  | -            | 52,444 (2)    | 200,558                    |
| Taxes & Insurance                   | 18,166   | -            | -             | 18,166                     |
| Legal Fees                          | 6,920  | -            | -             | 6,920                      |
| Cost of Capital                     | <u>466,130</u>   | <u>-</u>     | <u>-</u>      | <u>466,130</u>             |
| Subtotal                            | 3,810,548  | -            | 73,555        | 3,736,993                  |

**LEXMED, INC. D/B/A KEISLER-HOLSTEDT NURSING HOME**

Summary of Costs and Total Patient Days

For the Cost Report Period Ended March 31, 1997

For the Contract Periods October 1, 1996 Through September 30, 1997

AC# 3-RKH-C7

| <u>Expenses</u>             | Totals (From<br>Schedule SC 13) as<br><u>Adjusted by DH&amp;HS</u> | Adjustments          |                   | <u>Adjusted<br/>Totals</u> |
|-----------------------------|--|----------------------|-------------------|----------------------------|
|                             |  | <u>Debit</u>         | <u>Credit</u>     |                            |
| Ancillary                   | 35,823   | -                    | -                 | 35,823                     |
| Non-Allowable               | (126,211)  | 21,111 (1)           | -                 | (52,656)                   |
|                             | <u>          </u>  | <u>52,444</u> (2)    | <u>          </u> | <u>          </u>          |
| Total Operating<br>Expenses | <u>\$3,720,160</u>   | <u>\$73,555</u>      | <u>\$73,555</u>   | <u>\$3,720,160</u>         |
| Total Beds                  | <u>220</u>   | Total Patient Days * |                   | <u>44,601</u>              |

\* Adjusted to 97% occupancy

**LEXMED, INC. D/B/A KEISLER-HOLSTEDT NURSING HOME**

Adjustment Report  
Cost Report Period Ended March 31, 1997  
AC# 3-RKH-C7

| ADJUSTMENT<br>NUMBER | ACCOUNT TITLE  | DEBIT    | CREDIT   |
|----------------------|--|----------|----------|
| 1                    | Nonallowable<br>Administration   | \$21,111 | \$21,111 |
|                      | To reclassify physician billing<br>to nonallowable<br>State Plan, Attachment 4.19D |          |          |
| 2                    | Nonallowable<br>Medical Supplies   | 52,444   | 52,444   |
|                      | To reclassify PEN therapy to nonallowable<br>State Plan, Attachment 4.19D          |          |          |
|                      |  | _____    | _____    |
|                      | TOTAL ADJUSTMENTS  | \$73,555 | \$73,555 |

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.